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REPORT TO THE CONGRESS

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Ways To Increase Field Office Contributions To Commerce's Export Expansion Efforts B-172255

Department of Commerce

BY THE COMPTROLLER GENERAL OF THE UNITED STATES

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NOV. 14, 1972



COMPTROLLER GENERAL OF THE UNITED STATES  
WASHINGTON, D.C. 20548

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To the President of the Senate and the  
Speaker of the House of Representatives

This is our report on ways to increase Department of Commerce field office contributions to export expansion efforts.

Our review was made pursuant to the Budget and Accounting Act, 1921 (31 U.S.C. 53), and the Accounting and Auditing Act of 1950 (31 U.S.C. 67).

Copies of this report are being sent to the Director, Office of Management and Budget, and to the Secretary of Commerce.

A handwritten signature in cursive script that reads "James B. Axtell".

Comptroller General  
of the United States

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ABBREVIATIONS

BDC Bureau of Domestic Commerce  
BIC Bureau of International Commerce  
OBS Office of Business Services  
GAO General Accounting Office  
DISC Domestic International Sales Corporations

D I G E S T

WHY THE REVIEW WAS MADE

With exports being the cornerstone of U.S. efforts to achieve a favorable balance of trade, the Department of Commerce in 1968 set a goal for U.S. exports at \$50 billion for calendar year 1973. Four years ago, when this goal was determined, U.S. exports were about \$34 billion annually. More recently, the Department established a longer term export goal of \$125 billion by 1980, with an estimated goal of \$60 billion in 1974.

The Department has 42 field offices in the United States to promote export expansion. In fiscal year 1971 these offices were assigned 305 persons (under a \$5 million budget) and were directed to devote 80 percent of their work to promoting export expansion. As of June 30, 1972, field office personnel were down to 283 persons under a \$5.4 million budget.

The General Accounting Office (GAO) wanted to know how effective the Commerce field offices had been in helping the Department to achieve its export expansion goals.

Background

In recent years imports have grown faster than exports, and the U.S. trade surplus has eroded from an excess of \$7 billion in 1964 to a deficit of \$2 billion in 1971.

The Commerce Department administers

a variety of programs to increase exports. Exports account for only 4 percent of the gross national product, and only about 8 percent of U.S. manufacturers participate in the export market.

FINDINGS AND CONCLUSIONS

Field office efforts to provide international trade information and services to U.S. business firms have modestly contributed to Commerce export expansion goals. For example, field offices reported they were responsible for about \$12 million in initial sales by new exporters in 1971. Exports of companies assisted in the past would likely increase severalfold, but Commerce did not regularly obtain data on subsequent shipments. (See p. 10.)

Field offices could have done better and reached a greater number of firms with export potential. The export expansion program needed (1) realistic goals, (2) program priorities, (3) consideration of staff sufficiency when assigning programs, and (4) a measurement system compatible with program goals. To illustrate:

--Realistic, specific goals to serve as a target for field office activities and as a yardstick for measuring success were not established, nor were work priorities for the various programs. Field office directors therefore had to allocate their resources to

32 programs, with limited guidance from Commerce. (See p. 28.)

--If visits to businessmen continued at the same rate, the small professional staff in one office would need over 8 years to visit potential exporters in the area. (See pp. 14 and 29.)

--Field offices tended to make large numbers of repeat visits--one bank was visited 37 times in 2 years--and thereby made less time available for visiting other non-exporters. Commerce's Office of Business Services advised GAO that it did not have adequate staff to effectively monitor the way in which field offices were making these visits. (See p. 14.)

Commerce action to correct these weaknesses has been limited despite similar findings by other groups that have studied the effectiveness of Commerce efforts. Several studies, although performed for different reasons, have had the same overriding theme--Commerce needs to establish goals, priorities, and an effective measurement system for evaluating performance. (See pp. 23 to 26.)

Beginning in 1967, these studies have included reports by the National Export Expansion Council, a Commerce Field Service Study Group, a private consulting firm, and the Office of Management and Budget. This most recent study, consisting specifically of an evaluation of the field offices, found that only 15 percent of the manpower resources were devoted to programs containing any semblance of objectives, priorities, and targets. (See pp. 24 and 25.)

Reevaluation of field office potentials and limitations in assisting U.S. business is a necessary first step toward improving the effectiveness of field office efforts.

#### RECOMMENDATIONS OR SUGGESTIONS

The Secretary of Commerce should:

--Review the various programs presently supported by field offices and establish more realistic goals.

--Determine the levels of program activity that field offices can support with available resources, eliminate the least productive programs, and concentrate on the most productive ones.

--Establish for each field office a realistic, specific goal and meaningful priorities tailored to the geographic area and the relative potential of each firm the office serves.

--Devise a better system of monitoring the accuracy of reports submitted by field offices and measuring the progress made toward meeting established goals.

--Establish a better system for measuring the success of field office efforts. Although it will not be an easy task, the system should be made compatible with the goals established for the field offices.

#### AGENCY ACTIONS AND UNRESOLVED ISSUES

Agency officials concurred generally with GAO's findings and have taken, or have agreed to take, corrective actions.

MATTERS FOR CONSIDERATION  
BY THE CONGRESS

This report is being sent to the Congress because of its expressed high interest in export expansion activities.

## CHAPTER 1

### THE "WHY" AND "HOW" OF

#### FIELD OFFICE EXPORT EXPANSION ACTIVITIES

From 1888 through 1970 the United States sold more abroad than it bought, and the resulting trade surplus helped finance its international programs. This surplus has eroded, and at the end of 1971 imports exceeded exports by \$2 billion.

Even though the United States is by far the world's largest exporter--about \$44 billion in 1971--exports account for only 4 percent of the gross national product and only about 8 percent of U.S. manufacturers participate in the export market. Therefore, we believe that the Department of Commerce has a tremendous opportunity to increase our exports--and thereby to favorably affect the balance of trade--by convincing U.S. businessmen of the profitability of exporting.

Commerce, the major agency working to increase exports on the domestic front, is responsible for administering a variety of export expansion programs at home and abroad. The magnitude of this responsibility is reflected by the national goal, established in 1968 when exports totaled \$34 billion, to increase exports to \$50 billion by 1973. More recently, the Department established a longer term export goal of \$125 billion by 1980, with an estimated goal of \$60 billion in 1974. To help achieve this goal, Commerce directed its Business Services Field Offices to concentrate their efforts on export expansion programs. This report discusses what five field offices are contributing toward this objective.

#### FIELD OFFICE ACTIVITIES

The Field Services of the then Department of Labor and Commerce were established on July 1, 1912, pursuant to an act of Congress (15 U.S.C. 171). Since that time they have served the business public as a unified communication, outreach, and service organization for the business-oriented programs of the Commerce Department, both foreign and domestic.

There are 42 domestic field offices, located in principal U.S. cities and San Juan, Puerto Rico, whose primary function currently is to promote export expansion programs. The field offices carry out these programs under the direction of the Office of Business Services (OBS), Bureau of Domestic Commerce (BDC), in Washington, D.C. In fiscal year 1971 the field offices were assigned 305 persons and were operated on a \$5 million budget. As of June 30, 1972, field office personnel were down to 283 persons under a \$5.4 million budget.

Of the 305 persons assigned to the field offices, 147 are professionals and 67 of those are international trade specialists. These specialists function as Commerce's representatives in the local communities. They call on businessmen to make available a range of commercial services and to offer advice on appropriate business techniques and practices. In addition, many of the 42 field office directors spend a large part of their time on export expansion programs. The size and makeup of each field office staff is shown in appendix II.

Although export expansion programs currently are the major concern of the field offices, they must also carry on domestic business programs.

The field offices attempt to expand exports by means of:

Out-of-office visits to business firms to acquaint officials with Commerce services and to encourage them to begin or expand export activities. Commerce believes that these visits are one of the most important and productive activities performed by the field offices.

Seminars with select businessmen to provide counsel and to inform them of the data and services available at the field office. Seminars are intended to stimulate firms to expand their trade activities, assist them in understanding and complying with Federal regulations, and provide them with data on new business opportunities and technological advances.

Responding to inquiries received in the field offices by letter and telephone or from visitors, for information

or other services. The volume of inquiries is generally influenced by other field office activities and is an indicator of field office outreach.

Trade opportunities as expressed by interest of foreign firms in buying or acting as sales agents for U.S. products. These opportunities are identified by U.S. Foreign Service officers and are sent to Commerce for review and publication. The field offices then bring these opportunities to the attention of interested firms.

We selected five field offices for review on the basis of geographical location and office size. They were Cheyenne, Wyoming; Denver, Colorado; Detroit, Michigan; Houston, Texas; and Portland, Oregon. We observed most of the export expansion activities of these offices. However, we concentrated on evaluating the effectiveness of out-of-office visits and seminars as means of encouraging companies to begin or expand export activities. We had discussions with users of Commerce services. We also obtained information from OBS in Washington, D.C., and reviewed four reports on other studies of Commerce export expansion programs. We did not address the question of why field offices were located where they were nor fully explore whether staffing was adequate to efficiently carry out field office activities.

In chapter 2 we discuss the results of field office activities to increase exports and in chapter 3, the factors limiting the success of these activities.

## CHAPTER 2

### FIELD OFFICES: THE CHALLENGE AND RESPONSE

The President, in his August 1971 economic policy message, underscored the seriousness of our balance-of-payments deficit. In an attempt to apply the brakes to the backward trend, he allowed the dollar to float--find its own value--on the international money market and imposed a 10-percent surcharge on imports. The surcharge was subsequently lifted; and later actions resulted in devaluation of the dollar, which will make the price of U.S. goods more competitive in overseas markets and imports less attractive in the domestic market.

Recent inducements to exporting are the tax incentives contained in the Revenue Act of 1971. The Secretary of the Treasury advised U.S. businessmen on January 24, 1972, that the provisions in legislation creating Domestic International Sales Corporations (DISC) were developed to encourage smaller businesses, which have had little or no export experience, to look into exporting.

#### THE EXPORT CHALLENGE

The challenge to field offices to attract new businesses into the export field is evidenced by the number of manufacturing concerns in the United States not now exporting. There are an estimated 250,000 manufacturing companies in the United States, of which only about 20,000, or about 8 percent, are currently involved in exporting. The possible field office role was indicated in a report submitted in September 1971 by a consulting firm for the Bureau of International Commerce (BIC). The study covered the results of interviews with executives of 788 companies--508 of which were exporters.

The consultants found that nine out of every 10 of the nonexporters had no immediate plans for entering the export market. The major concerns of the nonexporters were grouped into four categories, as follows:

1. Products too expensive to be competitive.

2. Need to satisfy domestic markets before going into export market.
3. Lack of knowledge necessary to enter overseas markets.
4. Fear of being too small to compete or to enter the export market.

The consultants concluded that, before significant export gains could be made, the above issues would have to be addressed by Commerce. This, we believe, is the challenge: field offices need to convince nonexporters that there is profit in exporting.

The consultants found that, although 97 percent of the exporters claimed to be aware of the field office services designed to promote exporting, only 53 percent had used any of them. The most frequently used service was the personal counseling provided at field offices. Although about 89 percent of the nonexporters also claimed to be aware of the services, very few had used them. The report concluded that most nonexporters were not knowledgeable of the benefits of exporting and that these services could be made more enticing by exploiting the profit potential.

Commerce recognizes the need to attract more firms into exporting and, on the basis of the consultants' study, has instituted a commercial advertising campaign to create a greater awareness of exporting. It is too early to assess the effectiveness of the advertising program, but it is clear that out-of-office visits and seminars could meaningfully supplement the advertising needs since Commerce field offices are the logical conduit for information which businesses can use to export more or for the first time. With limited personnel--only 67 international trade specialists are assigned to the field offices to cover the entire business scene--it is apparent that, even exercising a high degree of selectivity in determining the companies to be contacted--those with export potential--and the type of assistance to be given, the impact of these offices on the level of exports is necessarily limited.

## FIELD OFFICE EFFORTS

Field offices reported that, in terms of new exporters, their efforts were responsible for \$10 million of the \$5.4 billion increase in 1970--about one-fifth of 1 percent of the total increase. In 1971 initial sales by new exporters were reported as totaling \$12 million. These amounts represented only the values of first shipments from new exporters. A more meaningful measure of field office efforts should include the values of follow-on shipments by new exporters and of any increased exporting by other firms that could be attributed to field office efforts.

A study of 1969 shipments by exporters new in 1968 indicated that follow-on shipments totaled six times the initial shipment values. Such data, however, is not regularly obtained by Commerce. It is important to recognize that field offices provide general information and assistance to the business public and that these efforts are not always subject to quantification in terms of export sales. For efforts that can be quantified, OBS officials point to three other basic indicators of field office effectiveness in the international area. The officials stated that field offices were responsible for the following accomplishments in calendar year 1971.

	<u>Number</u>
New exporters	524
Businesses registered with Commerce for international trade interests (American International Traders Register)	3,736
Business responses to trade leads	5,808

These are positive factors of field office influence on Commerce's export expansion efforts. To the extent that field offices assisted businessmen at the local level in obtaining export licenses and market survey reports, in handling inquiries, and in providing a general outreach for commercial services, they also influenced export expansion efforts.

Each month field offices submit statistical reports to OBS, identifying the number of inquiries, seminars, out-of-office visits, trade opportunities, new exporters, and

official visitors for the current month compared with the same month a year ago. OBS officials advised us that offices were requested to submit data on these measurable activities to provide headquarters with a management tool for determining the correlation between out-of-office activities and increased exports. Each office was rated on the number of activities completed and the results obtained. As described in the following sections, the ratings appeared to cause some field offices to concentrate on outperforming the other offices. These offices tended to place more importance on performing the function than on the effectiveness of their efforts. In essence, these offices lost sight of the objective of increasing exports. Consequently, field office efforts have not contributed as greatly as they could have toward achieving export expansion goals.

The remainder of this report presents an assessment of the present efforts of field offices in carrying out export expansion objectives and our suggestions for improving these efforts.

## Out-of-office visits

We believe that the competitive measuring system has caused some field office specialists to make wholesale visits for the sake of looking good in the ratings and to place emphasis on the number of visits made rather than on the results obtained.

An out-of-office visit is defined by OBS as a planned visit to business firms, business leaders, news media, and other cooperating organizations to promote Commerce services and encourage the organizations to begin or to expand export activities. OBS recommended that, before visiting a new firm, the field office specialist gather as much data as possible about the firm, its product, and the industry, to establish a feeling of interest and concern. The specialist was to spend 2 to 3 days each week researching companies and making visits. Appointments were to be scheduled, and the specialist was to be punctual, especially in the case of new firms expressing an interest in Commerce services. Field office directors are responsible for insuring that professional employees make adequate advance preparation for out-of-office visits, to achieve the best possible results.

In September 1971, OBS issued a revised operations manual to the field offices. The new directives reemphasized that making out-of-office visits was one of the most important and productive activities, because through those visits OBS discharges its responsibilities for implementing Commerce programs and achieves maximum results. In fiscal year 1970 trade specialists averaged about 250 visits each. Although written instructions to field offices did not specify the number of visits to be made, we found that each specialist was expected to make at least 400 visits a year. In June 1971 the Director of the Business Opportunities Staff--a component of OBS--told us that he expected 400 visits a year from each trade specialist. In September 1971 the goal of 400 visits a year was emphasized at a meeting of trade specialists in Chicago, Illinois. This goal of 400 visits was an increase of 60 percent over the actual visits in fiscal year 1970.

Apparently there was a breakdown in communications between the field offices and OBS in Washington, because the

Director of OBS told us the trade specialists were not expected to make a specified number of visits and that quality and not quantity of visits was more important. This was not effectively communicated to all field offices, because field offices we visited were trying to meet the "required" number of visits by each specialist without adequately considering the actual need for the visits. OBS officials said that the increase in visits was an attempt to get field office personnel to place greater emphasis on activities which put them into a more active role in the business community. These officials advised us that their analysis showed a positive relationship existed between the number of firms visited and the number of firms brought into exporting. Thus, the more firms visited the greater the chance of increasing exports.

This theory probably would prove to be true, provided field office personnel visit firms that have potential but are not exporting or firms that are exporting but have the potential for increased exports. Because of OBS directives some international trade specialists told us that they felt compelled to increase the number of their visits. To do so, the specialists said they had to cut corners (e.g., reduce the time spent on research) or else fall behind in other assigned duties, such as organizing and conducting seminars, answering inquiries, disseminating trade opportunities, reading current publications, and performing administrative tasks.

The need to increase visits also led to repeat visits to the same firms. The following schedule shows the number of firms visited for the first time and repeat visits in the five field offices during 1969 and 1970.

<u>Field office</u>	<u>Out-of-office visits in 1969 and 1970</u>		
	<u>New</u>	<u>Repeat</u>	<u>Total</u>
Cheyenne	28	184	212
Denver	156	118	274
Detroit	466	236	702
Houston	281	456	737
Portland	<u>265</u>	<u>490</u>	<u>755</u>
Total	<u>1,196</u>	<u>1,484</u>	<u>2,680</u>

OBS criteria state that firms may be revisited as often as necessary to provide required data, but only if it appears that they will export. We found that during 1969 and 1970 a few companies were visited repeatedly. Two banks in the same city were visited 37 times and 27 times, respectively, during the 2 years. Other examples could be cited in which companies were visited between 10 and 20 times. The forms containing the records of the visits did not provide enough information for us to evaluate the reasonableness of the large number of repeat visits. We discussed the matter with the field office director concerned, and he believed that some of the matters handled during the visits probably could have been effectively covered with a telephone call. As shown by the above table, less than half the calls by trade specialists in the five field offices were made to companies not previously visited. To the extent that repeat visits are made unnecessarily, there are many firms in the United States with export potential that are not contacted. In the area covered by the Detroit office, for example, there may be as many as 2,000 companies with export potential that have not been visited by field office personnel.

We discussed the large number of repeat visits with OBS officials in Washington, and they said that they did not know if field offices were making excessive repeat visits. Although the forms showing the visits are sent to OBS for review, officials told us that there is not sufficient staff at headquarters to review the records of visits to detect adverse situations. They advised us that business call reports are reviewed on a random basis and spot checks are made directly with a few firms. The officials said, concerning the bank visited 37 times, that the number of visits was not exceptional in light of the circumstances and was "mutually beneficial and in furtherance of the export expansion effort."

The frequent revisiting of firms consumed much of the specialists' time, and using the telephone for matters of minor importance would have conserved time. But the pressure to make a certain number of visits apparently encouraged field offices to make visits instead.

At the five field offices, we observed these reactions to the requirement to increase out-of-office visits. On the positive side, for example:

--The director of one field office required his specialists to call on firms 2 days a week. Their efforts were geared to increasing exports without regard to the ratings.

--Two field offices were not in favor of making visits just for the sake of making them and, therefore, made a minimal number only to firms with export potential.

On the negative side:

--One small field office had little difficulty in visiting all the firms in its territory because few had export potential. Therefore, many of the firms were visited several times a year.

--An office that had ranked low in the ratings on visits made numerous visits, many of which were repeat calls. As a result, it improved its rating on visits made during the first 6 months of 1971.

A Commerce Field Service Study Group, at the direction of the Director, OBS, made a study of the capabilities and potentials of the field offices. In the report issued in February 1970, the opinions of 11 field office directors on the importance of out-of-office visits have been summarized, as follows:

--The "drop-in" technique is often used to meet quotas. (One office estimates that 50 percent of visits are drop-ins.)

--Repeat visits to firms with "high potential" are most productive.

--Initial visits are essential to develop contacts and to identify firms with high potential.

The study group has concluded that:

--The out-of-office visit is an effective means for reaching the business public.

- The most productive visits are those scheduled in advance and adequately prepared for.
- Established targets are unrealistically high and lead to "wholesale" visits.
- There is little evidence that field offices systematically concentrate their visits in industries with high export potential.

These statements support the proposition that out-of-office visits can be productive. It is evident from our review, however, that there are problems in some field offices in making visits and that steps need to be taken by the headquarters group to monitor the manner in which visits are planned. Poorly planned visits can be counterproductive to the ultimate objective of increasing exports since management resources are necessarily diverted from those firms needing attention to the less productive ones.

#### Comments by field office personnel

Comments made to us indicated that headquarters and field views concerning out-of-office visits were not being effectively communicated. The Director, OBS, told us that field offices had consistently been told that the key indicator of field office performance was results--exports--not the numerical count of visits. Nevertheless, field office personnel we spoke with felt strongly that performance was based principally on the number of activities being conducted and that there were more feasible ways of contacting business than out-of-office visits, e.g., by mail or telephone. Indicative of the attitudes expressed by field office personnel were these statements concerning out-of-office visits.

- One international specialist was opposed to making out-of-office visits because he believed other approaches, e.g., advertising or telephoning, were less time consuming and less costly. He said that out-of-office visits had been made solely for increasing the number of calls and not for achieving results. He explained that the "smokestack cruising" approach had also been used to increase the number of calls.

Using this approach the specialist makes no appointment and does not research the firm's product; he simply cruises the streets and stops at a firm unexpectedly.

--Another specialist said that he was opposed to the measuring system because the quality, rather than the quantity, of out-of-office visits was the key to new and increased exports. He believed that prior to a visit research must be performed on the firm and the marketability of its product abroad. To illustrate, he told us that in 1970 his office ranked low for making visits and holding seminars (42nd for both 6-month ratings) but ranked high in obtaining new exporters (13th and 15th) because it emphasized quality, not quantity, of visits. He summed up his feelings by saying that the present system measures activity but activity is not necessarily related to results.

--One field office director indicated that he was not too concerned with making a large number of out-of-office visits or with the rating system. He said a field office can report any number of out-of-office visits, knowing the number will not be checked by OBS.

The Director, OBS, recognized that field offices had been pushed hard to increase their activities. Program guidance from headquarters to field offices stressed strongly the need to increase exports. In commenting on our draft report, the Director told us that headquarters would likely reevaluate its guidance to field offices to see whether a change was needed in the degree of emphasis being applied to field office activities.

On the basis of our discussions with field and headquarters personnel, the need to clarify OBS policy concerning measurable activities becomes apparent, principally on out-of-office visits. Consideration should be given to counting separately the visits to banks, insurance companies, freight forwarders, and chambers of commerce. Visits to such organizations are important and should be continued but not at the expense of visits to manufacturing companies. Headquarters officials should take whatever steps are necessary to impress on field office personnel that the primary goal is exports.

## Seminars

Field offices conduct seminars to inform businessmen of the data and services available and how to use them most effectively. These seminars are intended to stimulate the interest of businessmen in expanding their international and domestic trade activities, to assist them in understanding Federal regulations, and to give them leads to new business opportunities.

At the five field offices, we conducted a telephone survey of 10 percent of the participants attending international "in-office" seminars during fiscal years 1970 and 1971. Applying the OBS attendance criteria, we surveyed only those seminars attended by at least four, but not more than 20, participants. Responses were obtained from 101 participants. Their answers to a few specific questions follow.

	<u>Yes</u>	<u>No</u>
1. Did you benefit from the seminar?	91	10
2. Were you aware of Commerce data before the seminar?	70	31
3. Did you export before the seminar?	75	26
4. Are you now exporting?	73	28

The responses show that nearly all the participants believed they benefited from the seminars; however, most of them were already aware of Commerce data and most of the firms were already exporting. The seminars appear to be an effective means of increasing exports, particularly when participants are primarily those interested in but not currently exporting. Because roughly 75 percent of those who attended seminars were already exporting, field offices may not have adequately considered the numerous nonexporting companies which would similarly benefit from seminar participation.

Properly targeted seminars can attract more nonexporting firms. Consequently, field offices should place greater emphasis on seeking out these firms.

## Trade opportunities

We recently completed a separate review of the Commerce Trade Opportunity Program and issued a report entitled "Ways to Increase U.S. Exports Under the Trade Opportunities Program" (B-135239, Jan. 28, 1972). In that report we stated that field office dissemination of trade opportunities data needed to be improved. The program often was handled by field office clerical employees unfamiliar with the variety of products desired, and there was little or no supervisory attention by international trade specialists.

At the time of this review, the field offices had not had an opportunity to revise procedures for handling trade opportunities. Therefore, we did not review this area again.

## Global Marketing Program

In March 1970, OBS instructed the field offices to begin concentrating their out-of-office visits on firms identified by BIC as having the best export potential in selected product categories. This program, called the Global Marketing Program, was directed to eventually cover at least six product categories in which market research studies indicated that the United States had the most promising export potential from 1970 to 1973. These product categories were:

1. Electronic data processing equipment.
2. Food processing and packaging machinery.
3. Agricultural machinery and equipment.
4. Pumps, valves, and compressors.
5. Air-conditioning and refrigeration machinery and equipment.
6. Instrumentation.

Field offices were told to make this program the number one priority item in export expansion program support and

to contact firms in their areas that were possible prospects for the program. Field office officials, along with several BIC groups, had the task of stimulating U.S. businesses to increase their allocations of resources to international trade. In late 1970 field offices began their series of calls to prospects in the electronic data processing equipment category.

At the time we finished our fieldwork in October 1971, the offices we visited had completed most of the initial contacts in this category and were starting to make calls in several of the other product categories. It was too early to tell how effective the program would be. OBS officials believed that it would account for much of the field office efforts on future out-of-office visits. Field offices with few prospective firms in their areas have the opportunity to devote more time to firms in other product lines. We noted that 18 of the 42 field offices had fewer than 100 firms to visit in all categories. In our opinion, there is a need for more specific program guidance in this activity area.

#### New exporters

The field offices are required to submit monthly reports on the number of firms they have persuaded to export for the first time, and the results are included in the 6-month ratings. We found that many firms reported as new exporters had

- exported previously,
- exported one time and had no plans to continue exporting, or
- exported without field office assistance.

Such firms do not qualify as new exporters according to OBS criteria.

In December 1968, OBS issued the following criteria for reporting new exporters.

- The field office must be entirely responsible for the firm's entering the export field or must have provided major assistance to the firm making its first export.
- The firm's first export must be of substantial value (more than \$250).
- The firm must expect to continue to export.

At the five field offices, we attempted to contact by telephone every new exporter reported from January 1968 through June 1971 to determine the accuracy of the information reported and to determine whether the firms met the new exporter criteria. Over 80 percent of 134 firms contacted agreed that the value and date of the first shipment reported by the field office were correct. The following table shows the number of firms which did not meet the OBS criteria for first-time exporters.

	<u>Cheyenne</u>	<u>Denver</u>	<u>Detroit</u>	<u>Houston</u>	<u>Portland</u>	<u>Total</u>
Exported previously	-	6	2	7	-	15
Exported one time	2	5	4	2	2	15
Exported without field office aid	=	<u>2</u>	<u>7</u>	<u>3</u>	=	<u>12</u>
Total	<u>2</u>	<u>13</u>	<u>13</u>	<u>12</u>	<u>2</u>	<u>42<sup>a</sup></u>

<sup>a</sup>Some companies did not meet OBS criteria in more than one category; they were counted in only one category.

We asked the new exporters whether a field office representative visited them after their first export to encourage them to continue exporting. Only 40 percent of the firms had been visited following their first export, although field office instructions require followup visits. Several of those not visited, however, had been contacted by phone with offers of assistance and encouragement.

The Commerce Field Service Study Group, in an earlier study, reported similar findings after obtaining followup

data on the services provided by field offices to the 375 firms reported as new exporters in 1968. The need for a consistent program to provide continuing assistance to new exporters was indicated by the study. For example, the study group found that, of the 375 firms:

--24 percent did not export in 1969,

--34 percent received no service during the 12-month period preceding their initial export shipment,

--36 percent received no service during the 12 months following the initial shipment, and

--18 percent received no service during the entire 24-month period.

## CHAPTER 3

### NEEDED: GOALS, PRIORITIES, AND A MEASUREMENT SYSTEM

The problems discussed in chapter 2 were caused largely by the failure of management to set specific goals, establish realistic priorities for field office efforts, and use a measurement system attuned to results rather than activities. Four other studies, the earliest dating back to 1967, identified these weaknesses and offered specific recommendations for correction. Despite the similarity of recommendations among the studies, however, Commerce has taken only limited steps to correct the situation.

#### GOALS AND PRIORITIES

Setting goals within an organization has long been recognized as an effective way of achieving better results than random methods could produce. Dr. George S. Odiorne, in his book "Management by Objectives," states:

"High performance goals are needed in every area of responsibility and every position where performance and results directly and vitally affect the contribution of the man to the organization."

Establishment of priorities logically follows the setting of goals, since goals tend to dictate program priorities.

Discussions with Commerce personnel revealed that, other than the overall goal of expanding exports to \$50 billion, specific goals for the guidance of field offices had not been set. OBS instructions to the field offices place major management responsibility for program implementation with the individual field office directors. Directors carry out these responsibilities on the basis of the commercial, economic, and social needs of the area. Although this may be an appropriate course of action, we believe that field offices must receive more specific guidance concerning Commerce's and BIC's overall goals so that the field offices are in a position to know where their resources can best be applied, consistent with these overall objectives. Before the field offices can provide proper support for BIC's export expansion programs, there must be an adequate definition of BIC's

goals and objectives. As discussed below, a recent consultant's report on BIC activities stated that BIC had not adequately defined its role. We believe that, until BIC's role is defined, proper guidance cannot be furnished to the field offices.

The establishment of specific goals by OBS, consistent with BIC's overall objectives, would serve two purposes. First, it would provide a target or a rallying point for the field offices; uncertainty as to what they were trying to accomplish would be eliminated. Second, the goals would serve as a yardstick for measuring the relative success of Commerce efforts. Such a yardstick would provide a basis for determining which programs or field offices were successful. It would also provide a basis for allocating resources so that successful programs would have the needed support and less successful programs could be curtailed.

Reports by other study groups have commented on the need for goals. In 1967 the National Export Expansion Council issued a report on export expansion. Although this report covered all Commerce export expansion programs, the conclusions were very similar to our assessment of field office operations. The report states:

"The Committee recognizes a need for both a short-term export expansion action program, designed to produce immediate results, and a long-range program around which business and industry can plan and program their international business for the next decade.

"Both the long- and short-range programs should be as specific as is practicable. They should have tangible, measurable goals. They should provide for a system of measurement against these goals, which can permit the program to be evaluated periodically during the next decade."

Although the 1970 report on field office operations by the Commerce Field Service Study Group did not comment directly on the need for goals, it did cover the mission of the field offices. The report stated:

"The mission or objective of the Office of Field Services [see GAO note] is to provide field support to the operating bureaus. This concept of the organization's mission has led to a passive OFS role in regard to program planning, whereby the prime responsibility for tasking the field service has been thought to rest with the operating bureaus. However, operating bureaus have regarded the field service lightly."

Further, a private consulting firm studied the operations of BIC and issued a report in September 1971. BIC is the operating bureau which develops most of the export expansion programs operated by the field offices. In discussing BIC's role, the report stated:

"The most important and at the same time most difficult thing for BIC to do is to adequately define its role. In a recent survey of Bureau goals, objectives and strategies, it was concluded that 'there is no \*\*\* agreed upon, list of Bureau objectives' and that generally stated objectives are so ambiguous that 'program managers have little choice but to follow by also setting ambiguous objectives that are broad enough to fit a wide range of varying interpretations of Bureau objectives.'"

The Office of Management and Budget also directed an evaluation of the field offices. Because many of the field office programs were generated by the operating bureaus, the study group attempted to identify sponsor-bureau demands on field office time. The study group concluded that only 15 percent of field office manpower resources were devoted to programs containing some semblance of objectives, priorities, targets, and sponsor expectations.

The study group stated that a sponsor agency must pose a defined demand in the form of a program but found that BIC and BDC, among other Commerce groups, had not posed demands with objectives, priorities, targets, and expectations. According to the study group, this has been a serious problem in operating the field offices.

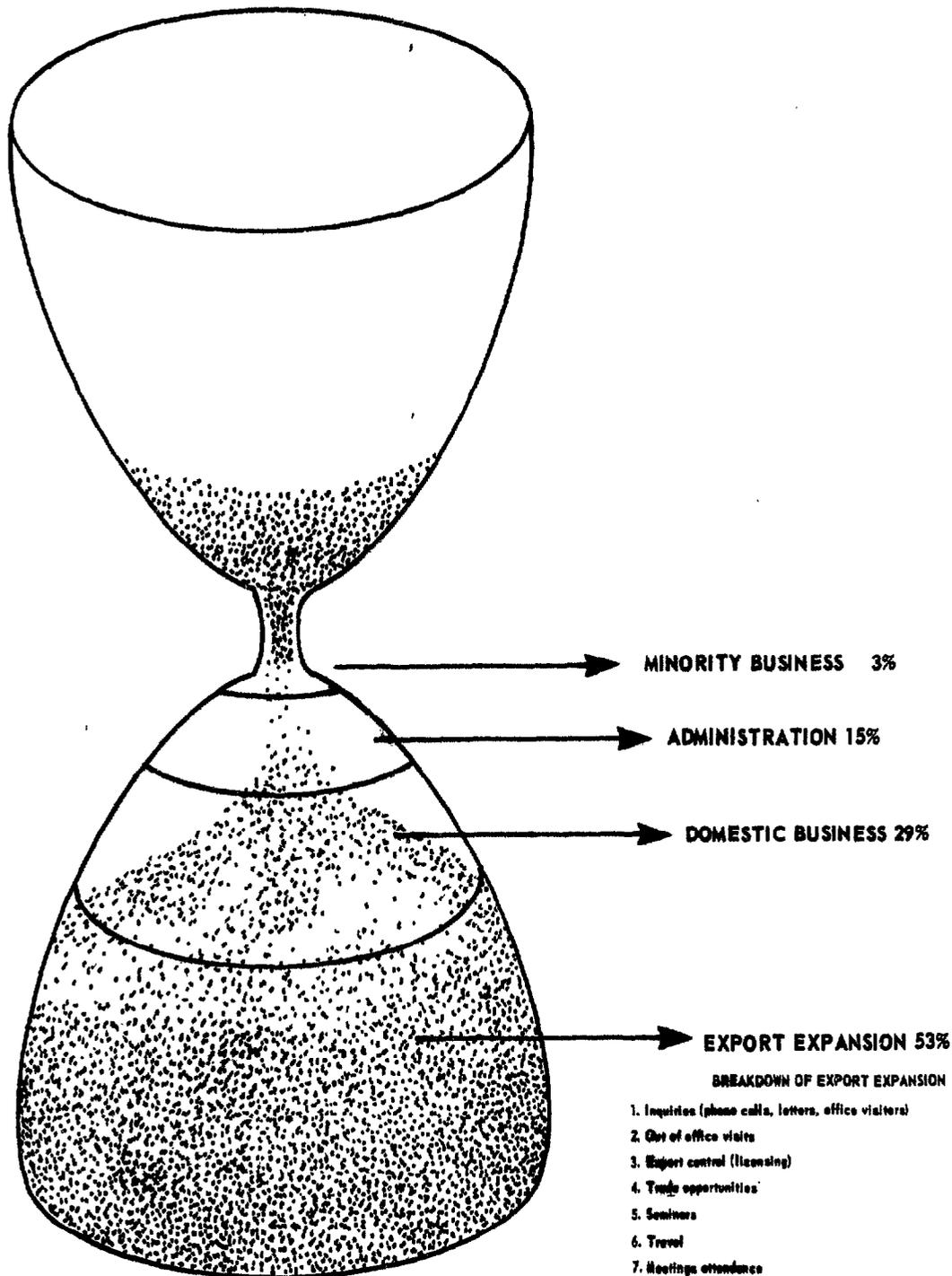
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GAO note: Renamed Office of Business Services.

We found that, prior to fiscal year 1972, the field offices operated the programs using guidelines that did not include priorities. Rather, the offices were instructed to devote about 80 percent of their manpower to export expansion programs. We noted the need to allocate such a proportion of their resources caused problems at the field offices we visited because the makeup of the staffs did not lend itself to such a division of manpower. Consequently, to meet the 80-percent requirement, some personnel not trained in international trade nevertheless had to spend some of their time on export expansion activities.

A Commerce official told us that, in the past 10 years, OBS had never turned down an export expansion program or project from another Commerce bureau which posed a requirement for field office support. Undoubtedly the failure to critically assess new requirements in relation to field offices' capability to carry them out contributed to the proliferation of programs with which offices are presently burdened. In fiscal year 1971 the field offices devoted 62 percent of their resources to export expansion programs. This 62 percent includes a proration of 15 percent of the resources devoted to administration. The following hour-glass illustrates the proportionate use of field office time.

WHERE THE TIME WENT 42 FIELD OFFICES  
FISCAL YEAR 1971



BREAKDOWN OF EXPORT EXPANSION

1. Inquiries (phone calls, letters, office visitors)	19,872	
2. Out of office visits	6,914	
3. Export control (licensing)	3,862	
4. Trade opportunities	3,857	
5. Seminars	2,933	
6. Travel	2,651	
7. Meetings attendance	1,544	
8. Staff training (International)	.688	
9. Other 1) Wrong charges 1,620		} 11,099
2) Other 8,757		
3. Special projects .722		
		53.065%

The significance of not meeting the 80-percent requirement prescribed by OBS had these implications. First, the goal probably was not reasonable for some offices, considering the staffing and the export potential of firms in the area. For example, a two-person office located in an area with only a handful of firms would not meet the 80-percent requirement without constant attention to the same firms, i.e., repeat visits. Second, although time reports were sent to OBS, we found that the data was not put into a form that would have enabled OBS management to evaluate whether offices were spending their time as directed. The time reported by individuals and offices was not correlated with the activity charged. In fact, to complete the preceding hourglass, we obtained a computer tape from Commerce and made the analysis on our computer. Commerce has never made such an analysis. Third, if the analysis had been made by Commerce, the goals for the individual field offices could have been revised to more reasonably reflect conditions in the different field office areas.

In July 1971 the field offices were issued a list of 27 programs to estimate manpower allocations on their fiscal year 1972 Operational Plan. The field office directors were instructed that the allocation of resources to the 27 programs should reflect the previous actual allocations because new OBS guidelines were forthcoming and a revision to their Plan would be necessary. On August 17, 1971, the program guidelines were issued. The guidelines showed 32 programs--an increase of five--with instructions that field office directors allocate available resources to emphasize those programs which could achieve the maximum contribution to OBS's objectives, while meeting the commercial, social, and economic needs of the area. The directors were further advised that export promotion programs continued to have the highest priority in OBS and that every field office must authorize substantial manpower for these programs.

We believe that the new guidelines, without considering the added burden of the five new programs, are of little assistance to the directors in deciding which programs deserve the greatest emphasis. We believe that realistic and meaningful priorities need to be established for field office guidance. Because the field offices are involved in minority business, domestic business, and other areas

of commerce, the priority of each such area needs to be established as well as priorities for programs within these areas.

Field office directors with whom we discussed the matter stated that one of the main reasons for the lack of goals and priorities was the position of field offices in the organizational structure. They pointed out that, although field offices are under BDC, most of the programs assigned come from other Bureaus. Because BDC imposed few program demands on field offices, they were not mindful of the need for other Bureaus to establish goals and priorities. OBS recognized the need for coordinating work requests but felt constrained because of its relative position to the bureaus. As a possible solution, these directors suggested that OBS might be elevated to a level equal to that of other bureau offices.

The limited staff in some field offices makes the need for priorities even more acute so that resources can be directed to the most profitable areas. For example, one field office estimates that 4,000 firms in its area have an exportable product. An estimated 2,000 of these firms have already been visited and encouraged to begin exporting or to increase exports. In 1969 and 1970 the office averaged 233 visits to firms not previously visited, in addition to its other activities. Assuming that there is no change in personnel and the same rate of visits per year, the office will need over 8 years to reach the remaining 2,000 firms.

An OBS official advised us that staff resources were insufficient to meet all the export responsibilities placed on OBS and that there were personnel deficiencies in many offices. This official stated that little could be done about this unless the OBS budget were substantially increased. It is doubtful, however, that organizational changes alone will solve the problems discussed in this report.

### Conclusions and recommendations

The lack of goals and priorities is a serious weakness in the management of field office export expansion programs. We concluded that field offices could more effectively contribute to the attainment of Commerce's overall export

expansion goals if they had clearly defined goals and priorities, particularly for the individual BIC programs they were asked to support. The field offices could then realistically plan to implement these programs, taking into consideration the variations in export potential that exist in the different geographic areas serviced.

We recommend that the Secretary of Commerce:

- Review the various programs presently supported by field offices and establish more realistic goals for accomplishing the objectives sought.
- Determine the level of program activity that field offices can appropriately support with available resources, eliminate the least productive programs, and concentrate on the most productive ones.
- Establish for each field office a realistic, specific goal and meaningful priorities tailored to the geographic area and the relative potential of each firm the office serves.
- Establish a better system of monitoring the accuracy of reports submitted by field offices and measuring the progress made toward meeting established goals.

#### Agency action

A copy of our draft report was sent to Commerce for comments, and their response substantially agreed with our recommendations.

The Secretary of Commerce has directed the Assistant Secretary for Domestic and International Business to make a comprehensive review of the export promotion programs supported by the field offices to (1) search for ways to enhance current efforts and (2) develop new programs necessary for a more responsive field office structure.

An action plan was established through the coordinated efforts of BIC and OBS to attain a new export sales goal of \$125 billion by 1980. Commerce advised us that a Resource Allocation Plan was developed for field offices in support

of both domestic and international programs. The more productive programs have been designated as priorities, and attention is now focused on these programs together with the necessary resource allocation. Commerce said that the plan shows individual assignment of specific goals and priorities to field offices based on economic factors in their area. Where appropriate, resources will be reassigned to field offices with the potential for export expansion development.

Commerce has implemented a marketing coordinator program on a regional basis. The primary function of the coordinator is to insure localized, continuing review and modification of individually tailored goals and priorities in the field offices and to measure the progress in attaining goals in terms of planning, analysis, and evaluation.

Commerce expressed concern that our report did not give OBS and the field offices credit for certain accomplishments. Its comments related to these issues have been reflected in the body of the report.

## MEASUREMENT SYSTEM

The method of recording field office involvement in activities, such as out-of-office visits, needs to be improved and to be more effectively communicated to all office personnel. Under the existing system the staffs in some field offices, either by design or through misunderstanding, have become preoccupied with completing enough activities to rank high on the 6-month ratings and have tended to lose sight of the goal of expanding exports. The examples cited in chapter 2 offer ample evidence of this. Staffs made many calls on banks or resorted to "smokestack cruising" to make a good showing. A better system is needed to measure field office efforts, but the extent to which one can be developed will depend upon the establishment of specific goals and objectives for the activities they perform.

Data maintained by the field offices that would provide a meaningful view of field office performance is the value of export shipments by new exporters. However, unless estimates of follow-on sales are used to supplement the initial shipment amount, the true impact of field office efforts will be understated. Although Commerce has not regularly obtained this data, we believe that it is possible to obtain the value of follow-on shipments because many of the new exporters that we contacted indicated a willingness to provide the data.

Further, the Commerce Field Service Group did, on a one-time basis, obtain the dollar value for subsequent shipments in 1968 and 1969 for the 375 new exporters reported in 1968. The study group reported the following statistics which showed the multiplier effect that bringing in new exporters had on U.S. exports.

--Initial shipments by the 375 new exporters totaled \$4,101,962.

--All shipments by new exporters in 1968 totaled \$13,965,786 (3.4 times initial shipments).

--Follow-on shipments in 1969 totaled \$24,870,739 (6.1 times initial shipments).

## Conclusions and recommendations

The current measurement system has been counter-productive, causing the field office staffs to become activity oriented rather than results oriented. We believe that obtaining the value of follow-on shipments from new exporters could provide a more meaningful measure of the success of field office efforts.

Therefore, we recommend that the Secretary of Commerce establish a better system for measuring the success of field office efforts. Although it is not an easy task, the system should be made compatible with the goals established for the field offices. In addition to measurements presently used, the system could consider other measures of accomplishment, such as

- the number of new-to-market exporters;
- the number of new commodity lines exported to an established market;
- the extent to which exports are made to targeted markets, e.g., markets where the U.S. share is declining, markets of developing countries, etc.;
- the value of subsequent shipments by new exporters; and
- the value of increased exporting by established exporters that could be attributed to field office efforts.

## Agency action

Commerce agreed that a better system was needed to measure the success of field office activities. It has established specific export expansion goals for new exporters, new-to-market penetrations, and commitments from firms to participate in trade shows. Accomplishments in these activities will be reported in addition to followup reports on subsequent shipments by new exporters.



**THE ASSISTANT SECRETARY OF COMMERCE**  
Washington, D.C. 20230

August 21, 1972

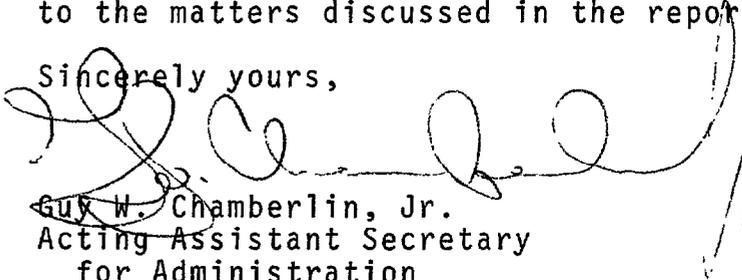
Mr. Oye V. Stovall  
Director, International Division  
General Accounting Office  
Washington, D. C. 20548

Dear Mr. Stovall:

This is in reply to your letter of April 28, 1972, requesting comments on a draft report entitled "Ways to Increase Field Office Contributions to Commerce's Export Expansion Efforts."

We have reviewed the comments of the Bureau of Domestic Commerce, and believe that they are appropriately responsive to the matters discussed in the report.

Sincerely yours,

  
Guy W. Chamberlin, Jr.  
Acting Assistant Secretary  
for Administration

Attachments

MAJOR RECOMMENDATIONS

- No. 1            GAO recommended that "The Secretary of Commerce should review the various programs supported by the field offices and establish more realistic goals for accomplishing the objectives sought."

Comment:

A. The Secretary of Commerce has directed the Assistant Secretary for Domestic and International Business to conduct a comprehensive review of the export promotion programs supported by the Field Offices. This review will provide for the enhancement of current efforts and the development of new programs necessary for a more responsive field office structure, designed to effect a more productive joint effort between government and business.

B. The Office of Business Services, through close cooperation and coordination with the Bureau of International Commerce, has established a new action plan for assisting in the attainment of \$125 billion in export sales by 1980. This plan calls for specific and realistic goals to accomplish established (incremental) objectives over the eight year period.

- No. 2            GAO recommended that the Department "determine the level of program activity that field offices can appropriately support, consistent with available resources, eliminating the least productive programs and concentrating on the most productive ones."

Comment: Based upon available resources for FY 1973, a Resource Allocation Plan has been developed for the Field Offices in support of both domestic and international programs. Through priority ranking, the more productive programs were identified for concentrated attention and appropriate levels of resource allocation.

- No. 3            GAO recommended that "For those activities supported, establish realistic, specific goals and meaningful priorities for each field office tailored to the differences in geographic area and to relative potential of firms the offices service."

Comment: In formulating the aforementioned action plan for export expansion, the assignment of specific goals and priorities to individual field offices was based on the economic factors of their respective areas served. The plan calls for the reassignment of field resources in accordance with the relative potential for the development of trade and export expansion.

Further, the operational plan for FY 73 provides for regional marketing coordinators for export expansion programs to assure localized, continuing review and modification of individually tailored goals and priorities of the Field Offices.

No. 4                   The report recommends the establishment of "a better system of monitoring the accuracy of reports submitted by field offices to measure the progress being made toward meeting established goals."

Comment: The newly established Systems & Evaluation Division of the Office of Business Services has developed a more precise, systematic program for monitoring the accuracy of field reports. The measurement of progress towards established goals will be enhanced in FY 73 through consultation with regional marketing coordinators in terms of planning, analysis and evaluation.

No. 5                   The GAO report recommends that the Department "establish a better system for measuring the success of field office efforts."

Comment: Specific export expansion goals in terms of new exporters, new-to-market penetrations, and stimulating firms to participate in trade shows have been established in consultation with each of the Field Offices. Measurement of results against these goals will be further enhanced by review and assistance visits made to the Field Offices and User Survey interviews with firms using Field Office services. Follow-up on firms previously reported as new exporters will be conducted to substantially improve the present system for measuring the overall effectiveness of Field Offices' export expansion efforts.

APPENDIX II

DEPARTMENT OF COMMERCE FIELD OFFICE STAFFING

JUNE 1971

<u>Field office</u>	<u>Total staff</u>	<u>Professionals</u>	<u>Clerical</u>	<u>International trade specialists</u>
Albuquerque, N. Mex.	2	1	1	-
Anchorage, Alaska	2	1	1	-
Atlanta, Ga.	7	3	4	-
Baltimore, Md.	4	2	2	1
Birmingham, Ala.	5	3	2	1
Boston, Mass.	14	8	6	5
Buffalo, N.Y.	3	1	2	-
Charleston, S.C.	4	2	2	1
Charleston, W. Va.	4	2	2	1
Cheyenne, Wyo.	2	1	1	-
Chicago, Ill.	14	8	6	5
Cincinnati, Ohio	5	2	3	1
Cleveland, Ohio	9	5	4	2
Dallas, Tex.	8	4	4	2
Denver, Colo.	6	4	2	1
Des Moines, Iowa	3	1	2	1
Detroit, Mich.	10	4	6	2
Greensboro, N.C.	8	3	5	1
Hartford, Conn.	5	3	2	1
Honolulu, Hawaii	4	2	2	1
Houston, Tex.	9	3	6	2
Jacksonville, Fla.	5	2	3	1
Kansas City, Mo.	8	4	4	2
Los Angeles, Calif.	15	8	7	4
Memphis, Tenn.	5	2	3	-
Miami, Fla.	7	4	3	2
Milwaukee, Wis.	5	3	2	1
Minneapolis, Minn.	8	4	4	2
New Orleans, La.	6	3	3	1
New York, N.Y.	41	17	24	11
Philadelphia, Pa.	9	3	6	2
Phoenix, Ariz.	5	3	2	1
Pittsburgh, Pa.	5	3	2	1
Portland, Oreg.	8	4	4	2
Reno, Nev.	2	1	1	-
Richmond, Va.	4	2	2	1
St. Louis, Mo.	11	6	5	2
Salt Lake City, Utah	2	1	1	-
San Francisco, Calif.	13	6	7	3
San Juan, P.R.	4	2	2	-
Savannah, Ga.	3	1	2	-
Seattle, Wash.	<u>11</u>	<u>5</u>	<u>6</u>	<u>3</u>
Total	<u>305</u>	<u>147</u>	<u>158</u>	<u>67</u>

PRINCIPAL OFFICIALS OF THE  
DEPARTMENT OF COMMERCE  
RESPONSIBLE FOR ADMINISTRATION OF  
ACTIVITIES DISCUSSED IN THIS REPORT

	<u>Tenure of office</u>	
	<u>From</u>	<u>To</u>
<b>SECRETARY OF COMMERCE:</b>		
Peter G. Peterson	Feb. 1972	Present
Maurice H. Stans	Jan. 1969	Feb. 1972
Cyrus R. Smith	Mar. 1968	Jan. 1969
 <b>UNDERSECRETARY OF COMMERCE:</b>		
James T. Lynn	Apr. 1971	Present
Rocco C. Siciliano	Jan. 1969	Apr. 1971
Joseph W. Barlett	Aug. 1968	Jan. 1969
Howard J. Samuels	Nov. 1967	July 1968
 <b>ASSISTANT SECRETARY FOR DOMESTIC AND INTERNATIONAL BUSINESS:</b>		
Andrew E. Gibson	July 1972	Present
Lawrence A. Fox (acting)	June 1972	July 1972
Harold B. Scott	Oct. 1971	June 1972
William R. McLellan	July 1970	Aug. 1971
Kenneth N. Davis, Jr.	Mar. 1969	July 1970
Vacant	Jan. 1969	Mar. 1969
Lawrence C. McQuade	Aug. 1967	Jan. 1969
 <b>DEPUTY ASSISTANT SECRETARY AND DIRECTOR, BUREAU OF DOMESTIC COMMERCE:</b>		
Gary M. Cook (acting)	Sept. 1972	Present
Hudson B. Drake	Apr. 1971	Aug. 1972
William D. Lee	Dec. 1969	Apr. 1971
Robert McLellan	Oct. 1969	Dec. 1969
Forrest D. Hockersmith	Apr. 1969	Oct. 1969
Rodney L. Borum	Sept. 1966	Apr. 1969

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